OREGON STATISTICAL REVIEW, OCTOBER 1959

(For details see pp. 5-6)

• **Bank debits** in Oregon during October were 8.8 per cent above their October 1958 levels and 6.2 per cent higher than the September 1959 figures. Only two areas of the state suffered declines, while nine areas recorded modest gains; Portland and West Central Oregon areas posted year-to-year gains of slightly more than 10 per cent.

• **Employment** in nonagricultural industry in Oregon during October 1959 was 3 per cent higher than in October 1958, but it fell 2.5 per cent below September 1959 levels in the usual seasonal pattern. In the year-to-year comparisons, all sectors showed gains except contract construction, which was 4.4 per cent below its October 1958 level. The "other manufacturing" sector had the greatest relative advance with a rise of 7.1 per cent.

• **The index of man hours** in manufacturing (1951 = 100) dropped to 98.2 in October 1959 from a level of 102.8 in September 1959. The current reading, however, is still higher than the 95.2 recorded in October 1958.

• **The average weekly earnings** of production workers in nonagricultural industry in Oregon during October 1959 were estimated to be $96.69. This figure is slightly below the $97.08 reported in September 1959, but higher than the $95.30 reported in October 1958.

• **Lumber production** in the Douglas fir region of the Pacific Northwest during October was down 1.8 per cent from the average weekly production in October 1958 and 1.5 per cent lower than estimates for September 1958. New orders were 6.4 per cent above year-earlier averages, but 2.3 per cent below orders reported in September 1959. End-of-the-month inventories were 6.3 per cent above month-earlier levels, but practically the same as the inventory reported in October 1958. The file of unfilled orders remained 6.7 per cent higher than in October 1958, although it dropped 5.7 per cent below the previous month's estimates.

• **The value of building permits** issued in Oregon during October 1959 dropped 20 per cent from October 1958 levels. Sharply lower activity in residential building in Portland, Medford, and Milwaukie, more than offset the gains reported in Lane County and Eugene.

• **Construction contracts** awarded in Oregon during September 1959 had practically the same total value as those awarded in September 1958. Continuing high levels of residential construction offset year-to-year declines in nonresidential and public works and utilities construction. For the first nine months of 1959, Oregon's total value of building contracts, exclusive of public works and utilities, was 7 per cent below the comparable total for 1958.

Profit Control Through Rate of Return on Investment

By MORTON F. MOSS

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With the reappearance of competition in the years since World War II, business men have become increasingly aware of the importance of profit planning to the very survival of their enterprises, both large and small. No longer is it sufficient to adopt a planning horizon of one year or less and concentrate on a price-volume relationship that will produce a satisfactory short run profit in relation to sales. Intensified competition coupled with the ever expanding investment in long term assets has resulted in recognition that the planning horizon must be extended beyond the conventional one year limit. Equally important is the recognition that profit goals should be related to the total resources of the enterprise and not limited to periodic sales. In other words, the final test of the success of any business is the long-run return produced on investment. It is the purpose of this paper to examine this tool of analysis in the context of both long-range and short-range planning, and as a performance measurement.

The use of a measure of the return-on-investment to determine the effectiveness of a business is not new. Investors and creditors have long relied on this measure to evaluate overall performance before investing in, or lending to, a company. The rational investor will plan his portfolio to insure a maximum return on investment in accord with some investment objective. Then during the lifetime of the investment he will constantly watch the performance of his investment in terms of the rate of return it is producing. The traditional emphasis, however, is on the use of return on investment for *overall* planning and measurement in these situations. Little has been done with this tool in measuring sub-enterprise efficiency and performance.

The use of return on investment to measure the effectiveness of subordinate management is not an entirely new idea. E. I. Dupont Company first used it in the early 1920's when they instituted their now famous chart room. Since those early days the Dupont organization has improved the use of this component measure until it stands today in front of all the tools they use to evaluate plans and measure performance of subordinate management levels. This successful use by the Dupont organization appears to be an important contribution in the widespread adoption of the "return on investment" concept by American industry in recent years.

Since return on investment has been discussed in management circles for at least 35 years, it is natural to inquire into the reason for its sudden rise to prominence only recently. The answer lies in part in the postwar trend to decentralization of the decision making process, and in part in recognition that planning is essential to reasonable profit realization. When decision-making was highly centralized in top management, performance could only be measured by either evaluating profit margins on sales or by measuring adherence to standards. With the advent of the decentralization of the decision-making process down to the divisional or plant level, it was natural to encourage subordinate managers to think of them-

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selves as "owners" of a self-contained business with a much wider range of responsibilities than existed when they were severely restricted in authority. Thus, as the scope of decision-making was enlarged at these lower levels, even to sometimes include responsibility for long-range planning, it was only natural to broaden the area of measurement to include return on investment at these levels.

Although the concept of profit planning is not new, it has been embraced by a wide segment of industry only in recent years. At least two conditions seem to account for this. In the first place, the post World War II period has been one of relative economic stability. Management can place greater reliance on the probability that it will be able to carry long-range profit plans through to a successful completion; thus, there is more incentive to plan. Secondly, existing tools of planning, such as break-even analysis and budgeting, are better understood by management; and new tools, such as operations research, have been developed.

Successful planning requires an expression of profit plans in terms of some rational objective. Profit, per se, is only an abstraction. To have meaning it must be related to some strategic factor. The return on investment approach emphasizes the fact that the strategic factor in a business enterprise is the investment in resources and the objective of those who command these resources is to obtain a satisfactory, if not maximum, return from their use. At best, such other possible objectives as return on sales can only be intermediate goals. Unless the return on sales will also lead to a satisfactory return on investment, resources will sooner or later be diverted to more profitable uses.

In the discussion to follow, the term investment will be defined, followed by an explanation of the form used in calculating the return ratio. The conclusion will discuss some possible applications of the formula to both short-range and long-range planning.

There is no universally accepted definition of the term investment. To some it means the proprietary equity identified with capital stock and surplus in the corporate form. To others it includes all long-term capital regardless of source. Both of these definitions are unsatisfactory for purposes of planning, controlling and measuring activities at the sub-enterprise level because they fail to recognize that at this level the source of capital is not of importance to planning. The significant thing from the point of view of a divisional or branch manager is the asset structure for which he is responsible and not its source. To argue otherwise is to imply that managerial effort need be less intense if the source of the investment is from creditors rather than owners.

The point can be illustrated with the following example: assume that a division has an investment base of $200,000 supplied entirely by stockholders and returns a profit of $10,000. The rate of return on investment is 5%. Now suppose that this investment base is doubled to $400,000 through a long term bond issue. The net proprietary investment is still $200,000; however, if the same $10,000 of profit is earned it is not reasonable to argue that the division is still earning a return of 5%. Rather, it is now returning only 2½%.

Therefore, for purposes of measuring the return on investment, the term investment should be identified with total assets. This concept of investment has a further advantage in making operating comparisons with other companies, or divisions of other companies, convey more information despite the probability that there are differences in the source of the assets used.

The problem of investment identification does not stop here. Should only the book value of assets as shown on the left hand side of the balance sheet be the proper measure of accountability? Or should long-lived assets be measured at their gross value? Opinion is divided on this point. Some argue that the gross assets are the proper base on the grounds that the plant is after all a continuous operation; not one that is to be established, depreciated and then replaced. Furthermore, comparisons with other firms following different depreciation schedules and even comparisons between divisions or branches with differing depreciation schedules is facilitated when the asset base is calculated at the gross amount. On the other hand, asset valuation net of depreciation has its adherents. Supporters of this position point out that to include assets at gross value is to double count since the difference between original cost and book value is reflected by other assets. Moreover, it is inconsistent to use net profit which is net of the depreciation charge in comparison with gross assets. Lastly, net book value is a familiar figure which everyone understands.

Whether assets are valued at gross or net of accumulated depreciation is an issue that most firms can settle in the light of circumstances and objectives which prevail within the company. The more important point in the controversy is that once a base has been adopted, it should be used consistently for period-to-period comparisons.

Thus far the discussion has centered around some of the problems involved in selecting the investment base for the company as a whole. Obviously, the effectiveness of using rate of return on investment as a device to measure the performance of an operating unit depends on the ability of the company to segregate assets for these operating units. The guiding philosophy that should prevail can be simply stated. Assets and income should be decentralized in the same degree that operating responsibility has been decentralized. It does not follow from this that the accounting must necessarily be decentralized in a physical sense. It does mean, however, that operating managers should be aware of the assets and operations for which they have primary responsibility and should be given the authority to make local decisions within the framework of overall company policy.

As to the specific problem of allocation of assets to divisions, branches or departments, the assignment can be made directly in many instances. This is true where there is a physical segregation of assets between operating units. For example, in a chain of supermarkets, building equip-

ment and inventories are physically separated, thus making an accounting allocation to each of the units a relatively easy task. The objective, however, may not be to measure divisional performance but rather the return on investment produced by a particular product line or product group. In this instance, inventories and machinery used exclusively for that product line or group can also be identified with relative ease.

Assets which are common to two or more sub-units or product lines can be allocated to operating units or products on a rational basis if the purpose of the allocation is kept clearly in mind. Usually, the important assets in this group are cash, receivables, and, to a certain extent, such long lived assets as joint warehouse facilities. Two illustrations will serve to demonstrate allocation techniques appropriate to cash and receivables.

Cash might be allocated on a cost-of-sales basis adjusted for such non-cash items as depreciation. The investment in receivables could be allocated in proportion to sales adjusted for differences in credit terms granted by each unit or on each product line.

Regardless of the necessity to employ arbitrary techniques in allocating some assets, it is imperative that as complete an allocation as possible be undertaken. The reason for this is twofold: (1) inter-unit comparisons of return on investment will be useful only if full allocation is made to each operating unit; (2) without full allocation, the validity of the comparisons will be destroyed since the individual units will show a rate of return higher than that for the company as a whole. It is more difficult to motivate a manager to improve performance when the rate of return for his responsibiilty unit is higher than that for the company as a whole. Consequently, it might be difficult to demonstrate to him that this is the result of less than full allocation of assets.

Determining the income figure to be associated with the sub-unit presents another series of problems. In general, assets and costs should be tied together. Thus, if performance is being measured on a rate of return basis and fixed assets have been allocated to a unit, it follows that depreciation should also be charged to that unit in the income statement. There are those, however, who will argue that the income figure to be used should be a reflection of the contributed margin the unit makes to the pool of common costs. While a contributed margin concept of income is useful for certain types of planning decisions, it is not as valid a measure of performance as net income. Costs have been assigned as a result of a consensus (agreement) between operating and top management. Therefore, a unit which fails to earn its target rate of return on investment is properly a subject for management attention. Furthermore, to use a profit figure short of net profit is to confuse cost behavior for planning purposes with profit results for measurement purposes.

These and many other problems are involved in establishing the proper net income and investment base to be used in measuring rate of return on investment at the sub-enterprise level. However, accounting tools used with sound managerial judgment will usually lead to a satisfactory solution to these problems.

The use of return on investment as a managerial tool for planning, control and measurement of performance will be enhanced if the elements of the formula are well understood by all levels of management. Basically, the formula can be expressed as follows:

$$(1)\ \text{rate of return on investment} = \left(\frac{\text{net profit}}{\text{investment}}\right) 100.$$

Unfortunately, this simple expression does not spotlight the importance of two significant determinants of the rate of return: the spread between revenues and costs, and the investment turnover. The significance of these two factors is emphasized in an expanded expression of the formula:

$$(2)\ \text{rate of return on investment} = \left(\frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Investment}}\right) 100$$

or

$$(3)\ \text{ratio of return on investment} = (\text{ratio of return on sales} \times \text{investment turnover})\ 100$$

To illustrate, assume two branches of a company, A & B, each with $10,000 of profit on an investment of $200,000. With only this information given we are limited to using formula (1). The rate of return on investment for each is 5%.

Now assume that we have the following sales figures for Branch A, $500,000; and Branch B, $1,000,000.

Using formula (2) and (3) we see that the 5% rate for Branch A was determined as follows:

$$(2)\left(\frac{10,000}{500,000} \times \frac{500,000}{200,000}\right)100 = 5\%$$

or

$$(3)\ (.02 \times 2\tfrac{1}{2}) \times 100 = 5\%$$

And for Branch B the same 5% return was achieved as follows:

$$(2)\left(\frac{10,000}{1,000,000} \times \frac{1,000,000}{200,000}\right)100 = 5\%$$

or

$$(3)\ (.01 \times 5)\ 100 = 5\%$$

A careful comparison of the elements of the expanded equations for Branches A and B will show that management can no longer be satisfied that these units are operating with equal efficiency, despite the equality of ratio of return. To make the rate of return measurement useful in planning and controlling operations, two additional factors

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are important. First, management must be able to relate the return figure to a target rate established in advance of the period being evaluated, and/or to the experience of other comparable companies. Secondly, the rate of return has meaning only if consequent decisions will have a favorable effect on future returns.

Furthermore, the return should not be accepted as satisfactory until the component parts of the calculation have been thoroughly analyzed. A particular rate may, like an iceberg, conceal more than it reveals. In other words, an acceptable rate may reflect a balance between a superior return on sales (profit/sales) and an inferior investment turnover (sales/investment). In this situation it is obvious that an improvement in the return might be achieved by investigating the investment turnover.

The immediate reaction to an unsatisfactory performance is usually to inaugurate a cost reduction program or some program designed to boost sales volume and/or price. Programs with these objectives are unquestionably desirable, if in fact, they reflect the root difficulty and are capable of being carried to a successful conclusion. However, an approach solely along these lines may ignore the focal point of rate of return on investment—investment turnover. For example, from formula (2) above we see that an increase in sales will not only increase profit (as long as variable costs are less than 100% of sales), but the turnover ratio as well. Furthermore, this approach also suggests the possibility of increasing the return on investment by reducing the investment base in relation to operations even in the absence of improvements in the operations area. It is this reflection in the mirror of turnover that makes return on investment such a valuable analytical tool.

Return again to the case of Branches A and B above. For one example, assume that a new marketing campaign contemplated for Branch A will increase sales by $100,000 and net profits by $5,000.* Assume further that no new investment is required to accomplish this objective. If this campaign is successful in profit/sales ratio will increase from 2 to 2½% $\left(\frac{10,000 + 5,000}{500,000 + 100,000}\right)$. In addition, the investment turnover will be raised from 2½ to 3 times $\left(\frac{500,000 + 100,000}{200,000}\right)$. Multiplying the return on sales by the investment turnover as in formula (3) above we observe the return on investment will be 7½% as compared to the present 5%. The key to this 5% increase in return on investment lies not only in the more satisfactory operating performance, but on the assumption that the investment is a constant. The validity of this assumption should be tested to determine whether the investment as presently constituted is really sufficient to accommodate the level of activity suggested by this contemplated marketing campaign .

Branch B provides a second example. Assume the level of sales and investment turnover is satisfactory but the profit/sales ratio is substandard. Under these circumstances a program geared to cost reduction would seem to be appropriate. If such a program can be carried out without any additional investment, each $1,000 of cost savings will increase the profit/sales rate of return for Branch B by .1% and the return on investment by .5%. Perhaps the investment base cannot be maintained at the current level. and instead the solution lies in substituting additional equipment for labor. In these circumstances management must be careful to avoid an increase in the investment base which will lower the turnover by an amount which is proportionately greater than the increment in the profit sales ratio.

It is clear from the preceding discussion that return on investment is the proper frame of reference through which to express profit objectives and these objectives in turn can be implemented only through sound engineering, marketing, and production planning designed to enable the sub-unit to achieve a level of performance consistent with the long run objectives of management.

Thus, to bear the greatest fruit, planning should be directed to all of the following: (1) increasing sales by increasing price and/or volume; (2) reducing costs of the present volume; (3) reducing the investment necessary to sustain the current level of activity.

If profit objectives are to be met over the long run, not only should operating decisions be couched in terms of rate of return but facilities planning should also be related to it. Decisions on plant additions and replacements are fundamental to the continuing achievement of profit objectives. The fact that responsibility for these decisions typically resides in top management even in decentralized organizations is evidence of the importance managment places on these decisions. But this recognition has not always been translated into decisions based on scientific evaluation of the worth of proposed investments. All too often the criteria have been based on the postponability of the project or on the number of years required to recoup the investment outlay. The extension of the return on investment concept to capital budgeting would lead to an improvement in the quality of these decisions.

In its essentials, scientific capital budgeting relates the increase in profit from a projected acquisition to its cost. The resulting return on investment can then be compared with other project requests competing for available funds. Except for projects of a clearly non-postponable nature ("for want of a nail"), no project should be accepted which will promise a return less than a target set by management. By expressing capital programs in terms of rate of return, not only can management plan against earnings dilution, but since capital rationing is the rule rather than the exception, projects can be ranked in order of their profitability.

Although this discussion has only touched on the highlights of return on investment as a tool of management, it if hoped that it has made clear that the proposition of profit planning and measurement through determining the rate of return on investment is not a mere catch-phrase, and furthermore, that its usefulness is not confined to large scale enterprises. Employment of resources to produce a satisfactory return on investment is the concern not only of all levels of management, but also of all sizes of enterprises. If management will give this concept the consideration it merits as a tool of planning and control, a long step will have been taken toward insuring the success of the enterprise in the competitive economy of the future.

NEXT MONTH. Richard W. Lindholm, Dean of the School of Business Administration, University of Oregon, will discuss adjustments in the school which are planned to meet rapidly changing conditions and expectations of the business world.

* This demonstration assumes a high marginal profit on the increase in sales.

Foreign Trade Interests in the State of Oregon

Copies of *Foreign Trade Interests in the State of Oregon* may be obtained free on request from the Bureau of Business Research, University of Oregon. The study was published by the Government Printing Office in October of this year and contains information tabulated and evaluated in a project conducted jointly by the Oregon State System of Higher Education, The State Department of Planning and Development, and the Library of Congress.

The objective of the survey was to determine the extent and character of interest in Oregon in trade with other nations. The survey does not attempt to analyze the ramifications nor the long range effect of foreign trade on Oregon's basic economy; it is confined to a picture of the immediate impacts of exporting and importing within the state. On the basis of facts ascertained in the survey it appears that fifty-seven per cent of all employees in Oregon engaged in manufacturing, agriculture, shipping, and fishing, are favorably affected by foreign trade. Thirty-three per cent appear adversely affected and ten per cent report no direct effects.

The study presents a detailed analysis of the facts reported from four fields of employment which lead to the above conclusions. The analysis is made for the state as a whole and also for each of the four Congressional districts; this last is possible because in Oregon each Congressional district is unique in physical and economic characteristics.

The study has background information on the geography and economy of the state which could prove a useful reference for its readers. Several valuable tables of figures on industrial employment are included. Of particular interest is the completely new compilation of information in the chapter about the Port of Portland. Selected personal comments from individuals, both in favor of, and in opposition to, foreign trade, are included.

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Construction. The Bureau of Business Research, in cooperation with the F. W. Dodge Corporation, reports September 1959 construction contracts in Oregon had a total value of $25,343,000. This was almost exactly the same as the value of contracts awarded in September 1958. Comparative data, in thousands of dollars, follow:

	Sept. 1959	*Aug. 1959*	*Sept. 1958*
Nonresidential	$ 5,852	$ 9,915	$ 7,521
Residential	15,367	15,359	12,274
Public works & utilities	4,124	6,560	5,596
Totals	25,343	31,834	25,391

Nonresidential construction was 527,000 square feet in September 1959 and 685,000 square feet in September 1958. In September 1959 contracts were awarded for 1,353 residential units totaling 1,456,000 square feet. One year earlier there were 994 units totaling 1,213,000 square feet.

The cumulative total for the first 9 months of 1959 show that the value of building contracts in Oregon was 7 per cent lower than for the comparable period of the previous year. For the eleven western states the cumulative 9 month total for 1959 was 15 per cent higher than for the previous year. The national total was also 15 per cent higher for 1959 than for the comparable period in 1958. The figures quoted in this paragraph do not include public works or utilities.

Business Failures. The Dun and Bradstreet report on commercial failures is considered an indicator of business health. The figures for Oregon follow:

	1958		*1959*	
	Number	*Liabilities*	*Number*	*Liabilities*
Jan.	46	$1,110,000	25	$ 515,000
Feb.	52	1,550,000	38	909,000
Mar.	46	818,000	54	1,161,000
Apr.	41	698,000	29	497,000
May	52	1,334,000	42	632,000
June	32	840,000	25	765,000
July	46	929,000	52	953,000
Aug.	51	1,100,000	56	1,015,000
Sept.	26	423,000	34	534,000
Oct.	56	939,000	36	660,000
Nov.	37	951,000	—	—
Dec.	47	616,000	—	—

Business failures in Oregon during October 1959 totaled 36 and involved liabilities of $660,000. In October 1958, there were 56 failures with liabilities of $939,000. Ten-month cumulative totals for 1959 include 391 failures with liabilities of $7,641,000; for 1958, in the first ten months there were 448 failures with liabilities of $9,741,000.

Multnomah County Real Estate Transactions. During October 1959 there were 915 real estate sales amounting to $14,636,877 in Multnomah County. Of these, 663 were residences with a total sales price of $6,780,223; 164 were vacant properties totaling $2,960,134 in price; and 88 were business properties with a total price of $4,896,520. Additional information, from the office of the County Assessor, follows:

	Oct. 1959	*Sept. 1959*	*Oct. 1958*
Number of sales	915	783	1,009
Value of sales	$14,636,877	$ 8,509,409	$12,079,841
Number of mortgages	842	840	1,060
Amount loaned	$10,159,020	$10,605,395	$16,357,285
Number of sheriff's deeds	8	10	4
Amount of sheriff's deeds	$192,992	$121,582	$95,422
Average residential selling price	$ 10,227	$ 10,600	$11,474

Department Store Sales. Figures on department store sales are compiled by the Federal Reserve Bank of San Francisco for Portland, Eugene, and Salem. The data are released for Portland each week and once a month for all three cities.

The most recent Portland data are for the week ending November 7, 1959 when sales were 20 per cent above the corresponding week in 1958.

Percentages for the three cities for the month of September, and from January 1, 1959 to September 30, 1959 have been compared to the corresponding periods of time one year earlier. Percentage changes are shown in the following table.

	Sept. 1959	*Jan. 1, 1959 to Sept. 30, 1959*
Portland	+ 9	+11
Eugene	+42	+30
Salem	+19	+17
Oregon	+12	+13

Life Insurance Sales. During September 1959, sales of ordinary life insurance in Oregon were 2 per cent ($809,000) higher than in August 1959 but 2 per cent lower than in September 1958. The national figures showed a 2 per cent drop in comparison with August 1959 and a 2 per cent drop in comparison with September 1958. These figures are based on information supplied in the monthly survey of the Life Insurance Agency Management Association.

Banking. Loans, investments, and deposits of Oregon banks that belong to the Federal Reserve System are shown below (in millions of dollars):

	Oct. 1959	*Sept. 1959*	*Oct. 1958*
Loans	$ 912	$ 906	$ 785
Investments	668	668	750
Deposits	1,747	1,758	1,707

Advertising Linage. Local retail advertising linage in nineteen daily newspapers in Oregon totaled 627,127 column inches in October 1959, an increase of 3 per cent over October 1958.

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Employment. Information on employment in Oregon is reported each month by the State Department of Employment in Salem. The latest figures follow:

	Oct. 1959	*Sept. 1959*	*Oct. 1958*
Lumber & Wood products	77,800	79,500	76,000
Food & kindred products	24,500	27,500	23,800
Other manufacturing	50,100	51,900	46,800
Total Manufacturing	152,400	158,900	146,600
Contract construction	28,400	29,800	29,700
Retail trade	80,100	80,900	76,500
Government	92,600	93,100	90,200
Other nonmanufacturing	154,000	157,900	149,600
Total Nonmanufacturing	355,100	361,700	346,000
Total Nonagricultural Employment	507,500	520,600	492,600

Cash Receipts from Farm Marketing. The cumulative receipts from the sale of farm produce were $310,349,000 for the first 9 months of 1959. This is a gain of more than 3 per cent over the 1958 cumulative total of $300,197,000 for 9 months. The following table shows the monthly comparisons in thousands of dollars:

	1958	*1959*		*1958*	*1959*
Jan.	$35,193	$33,479	July	$38,912	$45,194
Feb.	23,976	21,901	Aug.	49,509	51,956
Mar.	24,275	24,117	Sept.	56,667	61,247
Apr.	19,722	21,693	Oct.	37,316	—
May	22,306	19,148	Nov.	33,314	—
June	29,637	31,614	Dec.	29,740	—

Index of Man Hours in Manufacturing. A reliable index of change in manufacturing activity is the man hours of industrial production workers. The index is made by the Bureau of Business Research from data supplied by the State Department of Employment. Figures apply only to personnel engaged in direct manufacturing; sales, office, and general administrative employees are excluded. No adjustment for seasonal variation has been made (1951=100). The most recent reading for Oregon includes October 1959.

	1958	*1959*		*1958*	*1959*
Jan.	72.1	79.1	July	87.9	100.2
Feb.	72.2	79.3	Aug.	97.3	106.8
Mar.	72.2	83.3	Sept.	95.6	102.8
Apr.	75.2	87.2	Oct.	95.2	98.3
May	81.0	90.3	Nov.	84.6	—
June	90.0	98.6	Dec.	82.9	—

Lumber. The figures below were reported by the West Coast Lumbermen's Association. They cover the Douglas fir area of the Pacific Northwest and are in thousands of feet, board measure.

	Oct. 1959	*Sept. 1959*	*Oct. 1958*
Average weekly production	166,218	168,687	169,221
Average weekly orders	146,992	150,518	138,202
Unfilled orders, end of month	553,664	587,409	518,845
Lumber inventory, end of month	861,116	810,267	857,582

BANK DEBITS

Bank debits represent the dollar value of checks drawn against the deposit accounts of individuals and business firms. Bank debits are considered good indicators of current business activity. Their value for this purpose may be impaired if the reports include large checks used to transfer funds for the purchase of certain kinds of capital assets that are not "business activity." Each month the Bureau of Business Research collects data on bank debits from 188 banks and branches.

	Number of Banks Reporting	*Debits Oct. 1959*	*Debits Sept. 1959*	*Debits Oct. 1958*	*Oct. 1959 compared with Sept. 1959*	*Oct. 1959 compared with Oct. 1958*
Oregon	188	$2,165,827,886	$2,038,616,588	$1,990,444,206	+ 6.2	+ 8.8
Portland area (Multnomah, Washington, Clackamas, Columbia counties)	60	1,378,221,540	1,276,339,892	1,248,685,990	+ 7.9	+10.4
Mid-Willamette Valley (Polk, Benton, Linn, Marion, Yamhill counties)	40	255,747,734	245,624,923	233,971,385	+ 4.1	+ 9.3
North Oregon Coast (Tillamook, Clatsop, Lincoln counties)	10	36,021,319	38,360,085	35,935,342	+ 9.4	+ 9.7
West Central Oregon (Douglas, Coos, Lane counties)	23	192,741,519	185,051,319	173,869,569	+ 4.1	+10.2
Southwestern Oregon (Curry, Jackson, Josephine counties)	13	96,510,993	91,121,400	89,394,714	+ 5.9	+ 7.9
Upper Columbia River (Sherman, Hood River, Wasco, Gilliam, Wheeler counties)	9	33,639,209	30,767,047	32,206,345	+ 9.3	+ 4.4
Pendleton area (Umatilla, Wheeler counties)	8	36,829,375	36,987,975	36,871,311	− 0.4	− 0.1
Central Oregon (Deschutes, Crook, Jefferson counties)	5	33,140,340	31,918,649	33,040,863	+ 3.8	+ 0.3
Klamath Falls area (Klamath, Lake counties)	6	46,551,553	44,403,763	45,402,654	+ 4.8	+ 2.5
Baker, La Grande area (Baker, Grant, Wallowa, Union counties)	9	30,493,558	32,328,133	33,224,487	− 5.6	− 8.2
Burns area (Harney, Malheur counties)	6	25,930,746	25,713,372	25,841,546	+ 0.8	+ 0.3

BUILDING PERMITS

Building permits are a report of PLANS rather than of construction in actual operation. Interpretation of these data must allow for the lapse of time between the issuing of the permit and the beginning of construction. The information has been collected by the Bureau of Business Research from building departments in local governments.

	New Residential Oct. 1959	*New Non-Residential Oct. 1959*	*Additions, Alterations & Repairs Oct. 1959*	*Totals Oct. 1959*	*Totals Sept. 1959*	*Totals Oct. 1958*
Albany	$ 45,000	$ 23,000	$ 8,800	$ 76,800	$ 260,075	$ 137,000
Baker	29,500	72,000	26,040	127,540	98,920	45,000
Beaverton	123,248	16,800	25,722	165,770	152,243	302,279
Bend	95,000	2,225	24,080	121,305	109,740	74,400
Coos Bay	89,500	152,900	29,941	272,341	95,484	65,095
Corvallis	254,500	10,100	7,000	271,600	735,325	326,040
Eugene	465,520	141,900	65,047	672,467	1,170,603	418,070
Grants Pass	45,000	43,850	12,550	101,400	99,225	64,150
Hillsboro	250,500	300	4,860	255,660	326,905	111,256
Klamath Falls	86,000	31,950	28,820	146,770	190,440	268,680
La Grande	40,552	480,814	27,260	548,626	95,159	81,095
McMinnville	55,600	252,300	1,550	309,450	229,737	143,150
Medford	244,500	11,986	29,160	285,646	262,953	1,116,366
Milwaukie	92,800	221,000	8,450	322,250	669,660	798,300
North Bend	9,584	4,108	4,400	18,092	73,440	95,150
Pendleton	—	135,600	8,875	144,475	418,245	213,740
Portland	1,124,495	1,393,850	892,620	3,410,965	3,341,960	7,779,130
Roseburg	32,990	14,500	346,079	393,569	353,205	200,372
Salem	136,000	309,000	74,824	519,824	567,584	625,003
Springfield	13,036	23,632	6,851	43,519	545,481	147,025
The Dalles	15,000	10,000	7,175	32,175	58,244	84,631
Clackamas County	466,800	34,975	17,886	519,661	946,494	422,700
Douglas County	6,272	15,680	7,470	29,422	262,281	45,248
Lane County	564,758	1,269,210	82,215	1,916,183	1,113,997	968,041
Marion County	509,871	30,450	31,288	571,609	817,885	685,295
Multnomah County	2,470,689	1,105,953	81,475	3,658,117	3,913,453	3,842,215
111 Other communities	851,728	290,443	407,904	1,550,075	1,639,727	1,656,760
Totals	$8,118,443	$6,098,526	$2,268,342	$16,485,311	$18,548,465	$20,716,191